

Message Text

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67

ACTION NEA-16

INFO OCT-01 EUR-25 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 AID-20 EB-11 CIEP-02 TRSE-00 STR-08

OMB-01 CEA-02 COME-00 FRB-02 XMB-07 OPIC-12 LAB-06

SIL-01 DRC-01 /200 W

----- 063768

R 071714Z MAY 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 2339

INFO AMEMBASSY TEHRAN

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG, GW, IR

SUBJECT: FRG/IRAN ECONOMIC RELATIONS

REF: A. BONN 7055 (NOTAL); B. TEHRAN 3459 (NOTAL);

C. BONN 5792; D. BONN 4098

1. EMBOFF DISCUSSED THE RESULTS OF THE RECENT FRG/
IRAN INVESTMENT CONFERENCE WITH HENZE OF THE
ECONOMICS MINISTRY. HENZE WHO HAD ACCOMPANIED
MINISTER FRIDERICH'S TO THE CONFERENCE SAID THE
RESULTS OF THE CONFERENCE GREATLY EXCEEDED HIS
EXPECTATIONS ESPECIALLY SINCE THE IRANIANS HAD BEEN
A LITTLE COOL DURING THE PREPARATORY STAGES OF THE
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CONFERENCE. ACCORDING TO HENZE SIGNIFICANT PROGRESSION

OVER 30 PROJECTS TOTALLING AROUND \$2.5 BILLION
WAS ACHIEVED DURING THE CONFERENCE.

2. THE LARGEST PROJECT IN THE PACKAGE IS THE \$1.1
BILLION 25 MILLION TON OIL REFINERY AT BUSHIR.
AGREEMENT WAS REACHED ON A 50-50 JOINT VENTURE
BETWEEN THE FIVE-FIRM GERMAN CONSORTIUM AND NIOC.
FIFTY PER CENT OF THE OUTPUT IS DEFINITELY TO GO TO
THE FRG. TEN PER CENT (2.5 MILLION TONS OF NAPHTHA)
IS RESERVED FOR AN IRANIAN PETRO-CHEMICAL PROJECT.
THE REMAINING 40 PER CENT IS TO BE OFFERED AS A FIRST
OPTION TO THE FIVE GERMAN FIRMS ; A SECOND OPTION TO
OTHER FIRMS WITHIN GERMANY AND THEN FINALLY TO THIRD
COUNTRIES. THE MAJOR OPEN QUESTION REMAINS THE PRICE
OF THE CRUDE OIL PROVIDED TO THE REFINERY. HENZE
SAID IRANIANS WERE TRYING TO WORK OUT SOME OBJECTIVE
PRICE FORMULA. ANOTHER QUESTION REMAINS THE PETRO-
CHEMICAL COMPLEX.
THE IRANIANS HAVE AN ASSURED SUPPLY OF NAPHTHA BUT IT
REMAINS UNCLEAR TO WHAT EXTENT GERMAN FIRMS WILL
PARTICIPATE IN THE CONSTRUCTION OF THE COMPLEX. A
THIRD OPEN QUESTION IS THE CUSTOMS TREATMENT TO BE
PROVIDED TO THE REFINERIES' PRODUCTS AT THE GERMAN
BORDER. THE FRG HAS YET TO WORK OUT THIS PROBLEM
WITH ITS EC PARTNERS.

3. THE SECOND LARGEST PROJECT IS A \$600 MILLION STEEL
MILL TO BE CONSTRUCTED BY A FOUR-FIRM GERMAN
CONSORTIUM. THERE ARE MANY OTHER SMALLER PROJECTS BUT
HENZE DID NOT YET HAVE A COMPLETE LIST.

4. THE GERMANS, IRANIANS AND RUSSIANS ALSO CONDUCTED
TRILATERAL DISCUSSIONS DURING THE CONFERENCE ON THE
PROPOSED NATURAL GAS DEAL (REF D). HENZE SAID
PROGRESS WAS MADE IN THESE DISCUSSIONS BUT THE MAJOR
QUESTIONS OF PRICE AND METHOD OF PAYMENT FOR THE
SOVIET DELIVERY SERVICE REMAIN OPEN.

5. AS A FINAL POINT HENZE MENTIONED THAT THE SUBJECT
OF IRAN/EEC COOPERATION WAS ALSO DISCUSSED. HE SAID
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IRAN WAS NO LONGER SEEKING STATUS AS A MEDITERRANEAN
COUNTRY BUT RATHER IT WISHES TO ESTABLISH A SERIES OF
COOPERATIVE VENTURES WITH EC COUNTRIES WHICH MIGHT BE
GRANTED SOME TARIFF CONCESSIONS. HE SAID THE NATURE
OF THESE COOPERATIVE VENTURES WAS VERY VAGUE AND HE
DID NOT ENVISAGE MUCH EARLY PROGRESS ON THIS FRONT.
HILLENBRAND

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